

AQUA EXHIBIT 1.0

AQUA ILLINOIS, INC.

DIRECT TESTIMONY

OF

PAUL J. HANLEY

(Docket 07-0263 and 07-0264)

AQUA ILLINOIS, INC.

DIRECT TESTIMONY

OF

PAUL J. HANLEY

(Docket No. 07-07-263 and 07-0264)

WITNESS IDENTIFICATION AND BACKGROUND

1. Q. **What is your name and business address?**

A. Paul J. Hanley, 1000 South Schuyler Avenue, Kankakee, Illinois, 60901.

2. Q. By whom are you employed and in what capacity?

A. I am Assistant Controller for Aqua Illinois Inc. (“Aqua” or the Company”).

3. Q. Please describe your education and business experience.

A. I am a Certified Public Accountant, with a degree in accountancy from the University of Illinois. I am a member of the American Institute of Certified Public Accountants and the Illinois CPA Society. Since receiving my Accountancy degree, I have held three positions as an accountant, with increasing levels of responsibility, culminating in my current position with Aqua Illinois.

4. Q. What are your duties as Assistant Controller of Aqua Illinois, Inc.?

A. As Assistant Controller, I am responsible for supervising the financial operations at Aqua Illinois. These duties include overseeing the budget, forecasting, overseeing rates and supervising the day to day financial operations of the company.

PURPOSE OF TESTIMONY

5. Q. What is the purpose of your testimony?

A. The purpose of my testimony is to discuss reconciliation data submitted by Aqua on April 16, 2007, with respect to operation during the calendar year 2005 and 2006 of the Purchased Water Surcharge Rider in effect for Aqua's Oakview Service Area.

32

33 **RECONCILIATION**

34 6. Q. **Please describe Aqua.**

35 A. Aqua provides water and sewer public utility service in certain areas of Kankakee,
36 Vermilion, Will, Boone, Knox, Lake, Champaign, Cook, and Lee Counties in the
37 State of Illinois. Aqua is a public utility within the meaning of the Illinois Public
38 Utilities Act (the "Act"), 220 ILCS 5/3-105.

39 7. Q. **Has the Company submitted the list of all municipalities within which the**
40 **Company provides service which are effected by the tariff change?**

41 A. Yes. A complete set of affected municipalities was provided on May 7, 2007.

42 8. Q. **Please describe the service area in the Company's Oakview Service Area in**
43 **which the purchased water treatment services are provided?**

44 A. Oakview is a small, water system in Joliet Township, Will County, Illinois which
45 serves approximately 102 water customers. The Oakview Service Area is
46 consolidated under our University Park Water division.

47 9. Q. **Has the Company submitted the schedules and related documentation**
48 **required by 83 Ill. Adm. Code 655.50 applicable to this case?**

49 Yes, the schedules and related documentation were filed in the Office of Chief
50 Clerk on April 16, 2007 and includes Exhibits 1-7.

51 10. Q. **Were Exhibits 1 – 7 prepared by you or under your direction and**
52 **supervision?**

53 A. Yes.

54 11. Q. **Was the information contained in Exhibits 1 – 7 obtained or derived from the**
55 **books and records of the Company?**

56 Yes.

57 12. Q. **To the best of your knowledge, information and belief, is the accounting**
58 **information contained in these Exhibits true and correct?**

59 A. Yes.

60 13. Q. **Please describe Exhibit 1?**

61 A. Exhibit 1 provides the annual reconciliation of the Purchased Water Surcharge for
62 the year 2005 (Docket No. 07-0263) and 2006 (Docket No. 07-0264). The
63 reconciliation follows the process established in the tariffs for the Purchased
64 Water Surcharge Rider for the Oakview Service Area. The reconciliation
65 component of the Fixed Charge and the Variable Charge is recoverable over a
66 period beginning on May 1, 2007 and ending on December 31, 2007.

67

68 14. Q. **Please describe Exhibit 2?**

69 A. Exhibit 2 provides the actual fixed and variable charges from the City of Joliet
70 and the fixed charges collected from the Oakview customers during 2005 (Docket
71 No. 07-0263) and during 2006 (Docket No. 07-0264).

72

73 15. Q. **Please describe Exhibit 3?**

74 A. Exhibit 3 provides an estimate of the fixed and variable charges from the City of
75 Joliet, which will be paid to the City of Joliet during the reconciliation period of
76 May 1, 2007 through December 31, 2007.

77

78 16. Q. **Please describe Exhibit 4?**

79 A. Exhibit 4 provides the utility determined reconciliation component for the variable

charge from the year 2005 in Docket No. 07-0263 and from the year 2006 in
Docket No. 07-0264.

17. Q. **Please describe Exhibit 5?**

A. Exhibit 5 provides a complete detailed analysis of the two monthly bills received
from the City of Joliet for the years 2005 and 2006. All components of the bill are
included.

18. Q. **Please describe Exhibit 6?**

A. Exhibit 6 provides a complete detailed analysis of the revenue billed to the
Oakview customers on a monthly basis for the years 2005 in Docket No. 07-0263
and 2006 in Docket No. 07-0264. All components of the bill are included.

19. Q. **Please describe Exhibit 7?**

A. Exhibit 7 is similar to Exhibit 1 in that it provides a combined annual
reconciliation of the Purchased Water Surcharge for the year 2005 and 2006. The
reconciliation component of the Fixed Charge and the Variable Charge is
recoverable over a period beginning on May 1, 2007 and ending on December 31,
2007.

20.. Q. **Has the Company filed revised Information Sheets reflecting new rates which
include the reconciliation components determined in Exhibits 1 – 7 in
accordance with 83 Ill. Adm. Code 655.60?**

A. Yes. The Information Sheets were filed in the Chief Clerk's Office on April 16,

2007 with an effective date of May 1, 2007.

21. Q. **Did the Company cause notice of the filing to be posted in its business offices for this particular District?**

A. Yes.

22. Q. **Did the Company also cause notice of the filing to be sent to its customers in the applicable service area via direct mailing?**

A. Yes.

23. Q. **What period is included in the reconciliation?**

A. The reconciliation years include the period beginning January 1, 2005 through December 31, 2005 and January 1, 2006 through December 31, 2006 in accordance with 83 Ill. Adm. Code 655.50(d).

24. Q. **Please describe the reconciliation process for the Oakview Service Area?**

A. The actual fixed and variable cost component was obtained from the monthly invoices paid to the City of Joliet. The monthly fixed costs are reflected in Exhibit 2, Column B. The monthly variable costs are reflected in Exhibit 4, column A. The costs recovered through the fixed and variable purchased water surcharge were developed from the Company's billing ledgers and other records for each month in the reconciliation year. The monthly fixed costs recovered are shown in Exhibit 2, column C. The monthly variable costs are reflected in Exhibit 4, Column B. The difference between the fixed costs incurred and the fixed costs recovered results in

the utility-determined reconciliation component found in Exhibit 2, "Fixed Rate Reconciliation Component". The difference between the variable costs incurred and the variable costs recovered results in the utility-determined reconciliation component found in Exhibit 4, "Monthly (Un-recovered) Over-recovered Supply Charge". The utility-determined reconciliation component for the fixed costs from 2005 is combined with the utility-determined reconciliation component for the fixed costs from 2006 to derive a total utility-determined reconciliation component for the fixed charge (Rf) found on Exhibit 7. The total utility-determined reconciliation component for the fixed charge (Rf) is \$2,278.81. The utility-determined reconciliation component for the variable costs from 2005 is combined with the utility-determined reconciliation component for the variable costs from 2006 to derive a total utility-determined reconciliation component for the variable charge (Rv) found on Exhibit 7. The total utility-determined reconciliation component for the variable charge (Rv) is \$12,321.22.

25. Q. **Does this conclude your Direct Testimony?**

A. Yes, it does.